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INFO	LOG-00	NP-00	AID-00	CEA-01	COME-00	CTME-00	DINT-00
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	TEDE-00	INR-00	ITC-01	L-00	VCE-00	AC-01	NSAE-00
	OES-01	OMB-01	OPIC-01	PA-00	PM-00	PRS-00	ACE-00
	P-00	SP-00	SSO-00	STR-00	TEST-00	TRSE-00	USIE-00
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R 181402Z MAY 02
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 5976
DIA WASHDC
CIA WASHDC
NSC WASHDC
AMEMBASSY BOGOTA
AMEMBASSY BRASILIA
AMEMBASSY QUITO
AMEMBASSY LA PAZ
AMEMBASSY LIMA
USCINCSO MIAMI FL

UNCLAS SECTION 01 OF 03 CARACAS 001406

USCINCSO ALSO FOR POLAD

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SUBJECT: AREPA 14

1. THIS IS THE LATEST IN OUR SERIES OF CABLES REPORTING GENERAL
ITEMS OF INTEREST FROM THE VENEZUELAN SCENE. WE CALL THEM
"AREPAS" FROM THE FRIED GRITS CAKES THAT ARE A STAPLE OF
VENEZUELAN COOKING.

VENEZUELAN POVERTY INCREASES

2. (U) THE ECONOMIC AND SOCIAL RESEARCH INSTITUTE OF CARACAS'S
ANDRES BELLO CATHOLIC UNIVERSITY PUBLISHED A REPORT THIS WEEK ON

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POVERTY IN VENEZUELA. ACCORDING TO THE REPORT, POVERTY INCREASED 15.9 PERCENT BETWEEN 1999 AND 2001. THE PERCENTAGE OF FAMILIES LIVING IN POVERTY THUS GREW FROM 57.6 PERCENT IN 1999 TO 62.2 PERCENT IN 2001. THE INDICATOR FOR EXTREME POVERTY, HOWEVER, IMPROVED SLIGHTLY IN THE SAME PERIOD WITH THE PERCENTAGE OF HOUSEHOLDS IN EXTREME POVERTY DECREASING FROM 28.8 PERCENT IN 1999 TO 28.1 PERCENT IN 2001. (NOTE: THE STUDY USED THE NATIONAL STATISTICAL INSTITUTE'S (INE) DEFINITION OF POVERTY, I.E. THAT PORTION OF THE POPULATION THAT DOES NOT HAVE SUFFICIENT INCOME TO PURCHASE A BASIC CONSUMPTION BASKET (FOOD, HOUSING, CLOTHING, MEDICAL CARE AND EDUCATION). THOSE IN EXTREME POVERTY CAN'T AFFORD TO BUY THE BASIC FOOD BASKET. VENEZUELA SETS ITS POVERTY LINE AT A RELATIVELY HIGH LEVEL. THE MONTHLY COST OF THE BASIC CONSUMPTION BASKET HAS BEEN APPROXIMATELY USD 600 FOR A FAMILY OF FIVE. THAT IS MUCH HIGHER IN BOTH ABSOLUTE AND PURCHASING POWER TERMS THAN THE OTHER ANDEAN COUNTRIES. NEVERTHELESS THE NUMBERS ARE PROBABLY A GOOD INDICATOR OF THE RELATIVE ECONOMIC WELL-BEING OF THE LOWER

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INCOME GROUPS OVER TIME. THE REPORT EXPLAINS THE PERCENTAGE DECREASE IN EXTREME POVERTY BETWEEN 1999 AND 2001 BY THE RELATIVE STABILITY OF FOOD PRICES IN THE PERIOD IN COMPARISON WITH THE OTHER GOODS AND SERVICES IN THE CONSUMPTION BASKET. END
NOTE)

3. (U) THE REPORT GOES ON TO PROJECT THAT 62.4 PERCENT OF THE VENEZUELAN POPULATION -- OR APPROXIMATELY 15.6 MILLION OUT OF A 24-25 MILLION POPULATION -- WILL BE LIVING IN POVERTY IN 2002. IT ESTIMATES THAT THE NUMBER LIVING IN EXTREME POVERTY COULD REACH 7.3 MILLION, OR 29.2 PERCENT. THE REPORT BLAMES THE EXPECTED GENERAL DETERIORATION OF THE VENEZUELAN ECONOMY IN 2002, INCLUDING ZERO OR NEGATIVE REAL GDP GROWTH, HIGHER INFLATION AND UNEMPLOYMENT RATES, AND A REDUCTION IN REAL SALARIES. IN SUM, THE BOLIVARIAN REVOLUTION HAS NOT IMPROVED THE LIVING STANDARDS OF THOSE WHOM IT CLAIMS TO HELP.

WORKERS HEAD TO THE U.S.

4. (U) OUR CONSULAR STATISTICS TELL ANOTHER PART OF THE STORY, REFLECTING VENEZUELAN'S GROWING DESIRE TO GET TO THE U.S. LEGALLY TO WORK. IN 2001, WE ISSUED 5,036 VISAS FOR TEMPORARY WORKERS OR INTRA-COMPANY TRANSFEREES. IN THE FIRST QUARTER OF 2002, WE HAVE ALREADY ISSUED ALMOST 1,400 SUCH VISAS, AT LEAST A TEN PERCENT INCREASE OVER THIS TIME LAST YEAR. IN APRIL OF THIS YEAR ALONE, WE RECEIVED 46 APPLICATIONS FOR INTRA-COMPANY TRANSFERS. IN JUST TWO DAYS IN MAY, WE RECEIVED SEVEN! IF THE TREND

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CONTINUES, THE NUMBERS FOR WORK VISAS WILL BE FAR HIGHER THAN
LAST YEAR. THESE, OF COURSE, ARE THE TYPES OF VISAS THAT
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WORKERS USE TO ENTER THE U.S. AND THEN REQUEST PERMANENT
RESIDENT STATUS. THIS DRAIN OF SKILLED WORKERS COULD HAVE A
SIGNIFICANT IMPACT ON VENEZUELA'S FUTURE.

INFLATION AND UNEMPLOYMENT: SLIGHT IMPROVEMENT

5. (U) AT 2.1 PERCENT, THE RISE IN APRIL'S CONSUMER PRICE INDEX
IS LOWER THAN MARCH'S 4.2 PERCENT SPIKE, BUT STILL RESULTS IN A
CUMULATIVE INCREASE OF 9.3 PERCENT FOR THE FIRST FOUR MONTHS OF
2002. THE HIGH IMPORT CONTENT OF VENEZUELA'S ECONOMY PRODUCES A
HIGH FLOW-THROUGH COEFFICIENT FROM THE CURRENCY'S DEVALUATION TO
INCREASES IN THE CPI. IN LIGHT OF THE 16 PERCENT DEVALUATION OF
THE CURRENCY OVER THE PAST TEN TRADING SESSIONS, ECONOMISTS
EXPECT A SIGNIFICANT RISE IN THE CPI OVER THE NEXT TWO MONTHS.

6. (U) UNEMPLOYMENT STATISTICS AVAILABLE FOR THE MOST RECENT
MONTH, FEBRUARY, SHOW A SLIGHT IMPROVEMENT -- 15.0 PERCENT TO
JANUARY'S 16.4 PERCENT. THIS FIGURE, HOWEVER, WAS 0.8 PERCENT
HIGHER THAN THE FEBRUARY 2001 RATE. WITH ECONOMIC ACTIVITY
DECELERATING FROM LACK OF INVESTMENT AND REDUCED DOMESTIC
CONSUMPTION, UNEMPLOYMENT IS EXPECTED TO RISE OVER THE NEAR
TERM. A FACTOR WHICH DISTORTS UNEMPLOYMENT FIGURES IS THE FACT

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R 181402Z MAY 02
FM AMEMBASSY CARACAS
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THAT MORE THAN 50 PERCENT OF THE WORKFORCE IS EMPLOYED IN THE
INFORMAL SECTOR AND THEREFORE OUTSIDE STATISTICAL PARAMETERS.

ADINA BASTIDAS OUT AT PRODUCTION AND COMMERCE?

7. (U) ACCORDING TO LOCAL NEWSPAPER EL NACIONAL, CARLOS
FERNANDEZ, CURRENT FEDECAMARAS PRESIDENT, RECENTLY STATED THAT
CHAVEZ HAD DECIDED TO MOVE ADINA BASTIDAS FROM THE MINISTRY OF
PRODUCTION AND COMMERCE AFTER RECEIVING MANY REQUESTS FROM THE
PRIVATE SECTOR. THIS APPEARS TO HAVE BEEN CONFIRMED WHEN
BASTIDAS CANCELLED A MAY 16 SPEECH TO CONSECOMERCIO'S (NATIONAL
COUNCIL OF COMMERCE AND SERVICES) ANNUAL MEETING. POSSIBLE
CANDIDATES FOR THE POST ARE FRANCISCO NATERA, FORMER FEDECAMARAS
PRESIDENT; ALBERT CUDEMUS, FEDECAMARAS DIRECTOR; MARIETA
BOLIVAR, WIFE OF DIDALCO BOLIVAR, GOVERNOR OF ARAGUA STATE; AND
RAMON ROSALES, WHO WAS VICE MINISTER OF INDUSTRY WHEN JESUS DE
MONTILLA WAS MINISTER. THE BETTING IS THAT RAMON ROSALES WILL
BE NAMED AS HE IS CURRENTLY IN SPAIN WITH PRESIDENT CHAVEZ.

THANKFULLY, AREPAS AREN'T MADE FROM RICE

8. (U) DUE TO CONTINUED LOW WATER LEVELS AT THE GUARICO DAM,
RICE PRODUCTION IN THE AREA SERVED BY THE 40,000 HECTARE
CALABOZO IRRIGATION SYSTEM WILL BE DOWN SIGNIFICANTLY FOR THE
SECOND YEAR IN A ROW. THE CALABOZO IS THE LARGEST IRRIGATION
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SYSTEM IN VENEZUELA, PROVIDING WATER TO AN AGRICULTURAL AREA
THAT TRADITIONALLY GROWS APPROXIMATELY 40 PERCENT OF THE
COUNTRY'S RICE (ANOTHER STAPLE OF THE VENEZUELAN DIET). OUR AG
OFFICER TRAVELED TO THE REGION THIS WEEK AND VERIFIED THAT RICE
AREA PLANTED WAS DOWN 75 PERCENT IN 2001 SINCE NO WATER WAS
AVAILABLE THROUGH THE IRRIGATION CANALS. THE HEADWATERS OF THE
GUARICO RIVER FEED THE CAMATAGUA RESERVOIR, THE MAIN SOURCE OF
WATER FOR CARACAS, WHICH IS ALSO LOW. REFILLING THAT RESERVOIR
WILL BE THE FIRST PRIORITY FOR WATER USE. THEREFORE, LITTLE
RECOVERY IS EXPECTED THIS YEAR IN THIS RICE GROWING AREA, AND IT
IS LIKELY THAT VENEZUELA WILL NEED TO IMPORT RICE LATER THIS
YEAR FOR THE FIRST TIME SINCE 1996.

COFFEE WITH YOUR AREPA

9. (U) OUR AG OFFICE HAS ALSO RECENTLY MET WITH THE LOCAL COFFEE
PRODUCERS ASSOCIATION, WHICH HAS A MAJOR PROBLEM OF SURPLUS
STOCKS OF COFFEE ON HAND AND A BUMPER HARVEST ON THE HORIZON.
ASSOCIATION MEMBERS ARE TRYING TO WORK WITH THE GOV TO GET
SUPPORT FOR EXPORTS BUT SO FAR NO LUCK. THE BEST IDEA THE GOV
HAS IS TO BARTER COFFEE WITH RUSSIA FOR TRACTORS.

RUMORS AND WORRIES ABOUT THE BOLIVARIAN CIRCLES

10. (U) EMBASSY OFFICERS REPORT THAT THEIR CONTACTS ARE
CONCERNED ABOUT THE BOLIVARIAN CIRCLES. THE OWNER OF A CHAIN OF
SUCCESSFUL BAKERIES REPORTS THAT THE POORLY-PAID YOUNG MEN WHO
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WORK IN HER KITCHENS (AND HAIL FROM NEIGHBORHOODS WHERE SUPPORT
FOR PRESIDENT CHAVEZ IS HIGH) ARE RIDING NEW MOTORBIKES AND
SPORTING NEW NIKE-LABEL SPORTSWEAR. SHE SUSPECTS THEY HAVE BEEN
RECRUITED BY THE CIRCLES. ANOTHER CONTACT REPORTS THAT HER
NEIGHBORHOOD ORGANIZATION IS ARMING ITSELF IN THE FACE OF RUMORS
THAT THE CIRCLES ARE ARMED. ORGANIZERS ON HER STREET HAVE GONE
DOOR TO DOOR TO ASCERTAIN WHO HAS ARMS AND WOULD PARTICIPATE IN
NEIGHBORHOOD "VIGILANTE" PROGRAMS. ANOTHER CONTACT REPORTS THAT
FIREARMS SHOPS IN THE CITY OF MERIDA ARE COMPLETELY SOLD OUT.

STUDENTS CHEER FOR HUGO IN MADRID

11. (U) ON MAY 17 THE VENEZUELAN PRESS CARRIES REPORTS ABOUT THE

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ENTHUSIASTIC RECEPTION RECEIVED BY PRESIDENT CHAVEZ IN AN APPEARANCE AT THE SPANISH MFA DIPLOMATIC ACADEMY. NOTING THAT HIS ADMINISTRATION HAS INCREASED BUDGETARY SPENDING ON EDUCATION FROM ABOUT 3 PERCENT TO 7 PERCENT, CHAVEZ TOLD HIS YOUNG AUDIENCE THAT THIS SHOWS THAT "NEO-LIBERALISM IS THE WAY FORWARD - TO HELL." HE REPORTEDLY RECEIVED RAPTUROUS APPLAUSE. IT IS UNFORTUNATE THAT THE STUDENTS COULDN'T SEE THE PICTURES OF STUDENTS AT CARACAS'S SIMON BOLIVAR UNIVERSITY WHO ARE STRIKING

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THIS WEEK BECAUSE THE GOV OWES THE UNIVERSITY \$31 MILLION.
VENEZUELAN TEACHERS HAVEN'T RECEIVED PART OF THEIR 2001 WAGES,

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MUCH LESS 2002, WHILE THE CHAVEZ ADMINISTRATION SEEKS TO BALANCE
THE BUDGET BY NOT SPENDING TO MEET ITS OBLIGATIONS.

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